

1
2
3 UNITED STATES DISTRICT COURT
4 WESTERN DISTRICT OF WASHINGTON
5 AT SEATTLE

6 IRONBURG INVENTIONS LTD.,

7 Plaintiff,

8 v.

9 VALVE CORPORATION,

10 Defendant.

C17-1182 TSZ

MINUTE ORDER

11 The following Minute Order is made by direction of the Court, the Honorable
12 Thomas S. Zilly, United States District Judge:

13 (1) Defendant Valve Corporation's motion to exclude certain expert testimony,
14 docket no. 252, is DENIED. Defendant seeks to exclude (i) the opinion of Kenneth S.
15 Serwin, Ph.D. concerning the reasonable royalties to which plaintiff Ironburg Inventions
16 Ltd. would be entitled if it prevails on its patent infringement claims, and (ii) the portion
17 of the opinion of plaintiff's technical expert Garry Kitchen on which Serwin has relied in
calculating the higher of two sets of royalty rates. All approaches to approximating a
reasonable royalty involve some degree of uncertainty. Summit 6, LLC v. Samsung Elecs.
Co., 802 F.3d 1283, 1296 (Fed. Cir. 2015). The admissibility inquiry, pursuant to Federal
Rules of Evidence 702 and 703, as well as Daubert v. Merrell Dow Pharm., Inc., 509
U.S. 579 (1993), and its progeny, focuses simply on whether the methodology used is
reliable and whether the data to which the methodology was applied is sufficiently tied to
the facts of the case. Summit 6, 802 F.3d at 1296.

18 (a) Contrary to Valve's assertion, Serwin, who holds a Ph.D. in
19 economics, is qualified to testify about a hypothetical license for the patents-in-
20 suit¹ and the reasonable royalties that might be expected in connection with such
license. Moreover, Serwin's methodology is generally consistent with Ga.-Pac.
Corp. v. U.S. Plywood Corp., 318 F. Supp. 1116 (S.D.N.Y. 1970) (articulating the
21 fifteen considerations now known as the "Georgia-Pacific factors"). Serwin has

22 ¹ For purposes of the pending motion and this Minute Order, the patents-in-suit include only
23 United States Patent No. 8,641,525 and United States Patent No. 9,089,770.

1 based his estimates of royalty rates on real-world data tied to the facts of this case,
2 namely the terms of an actual licensing agreement between Microsoft Corporation
3 (“Microsoft”), on one side, and plaintiff and its related “Scuf Gaming” entities,
4 on the other, concerning intellectual property that includes the patents-in-suit.
5 Serwin’s testimony will assist the trier-of-fact in understanding this complex
6 agreement and how to evaluate what portion of the royalties received thereunder
7 are attributable to the patents-in-suit. See Fed. R. Evid. 702. To the extent that
8 Serwin (i) has not considered all intellectual property licensed by Microsoft,
9 whether now existing or to be generated in the future, (ii) has not excluded
10 intellectual property licensed by but not used by Microsoft and/or not infringed by
11 defendant, or (iii) has erred mathematically,² those matters go to the weight of his
12 testimony, not its admissibility.

13 (b) Garry Kitchen is qualified to express an opinion that the patents-in-
14 suit constitute the prominent components of the intellectual property licensed by
15 Microsoft. Whether Kitchen has (i) adequately considered the expanse of
16 plaintiff’s current and future patent portfolio, (ii) correctly understood the online
17 reviews regarding Microsoft’s “Elite” controller, and (iii) assigned a reasonable
18 figure (*i.e.*, 80%) to the significance of the patents-in-suit relative to the suite of
19 licensed materials are matters for cross-examination and/or rebuttal expert
20 testimony, and not reasons to preclude Kitchen from testifying on the subject.

21 (2) The Clerk is directed to send a copy of this Minute Order to all counsel of
22 record.

23 Dated this 7th day of November, 2019.

William M. McCool
Clerk

s/Karen Dews
Deputy Clerk

² Serwin has relied on an analysis performed in 2016 in connection with the buy-out of plaintiff’s
co-founder Simon Burgess (the “Scuf Gaming Buyout”), which computed the then-present value
of net cash flow from future Microsoft royalties, and allocated those royalties among four of
plaintiff’s patents, including a European patent. See Ex. 4 to Chaney Decl. (docket no. 254-3);
see also Serwin Report at ¶ 68, Ex. 1 to Chaney Decl. (docket no. 254-1). Serwin disregarded
the European patent because defendant’s infringing activity occurred in the United States, and he
redistributed the royalties among the other three patents. See Serwin Report at ¶ 70. Defendant
challenges this approach, which appears statistically flawed. In removing the European patent
from the equation, Serwin did not concomitantly reduce the contractual royalty rate to reflect
that the three remaining United States patents accounted for only 70% of the licensing revenues.
This mistake does not, however, warrant exclusion of Serwin’s testimony in its entirety.